

# *Expatriate's* Tax Guide to Romania

*Answering your questions  
about working in Romania*

2011



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PwC has been present on the Romanian market since 1991 and has developed a broad range of services which continues to expand with in-depth knowledge of Romania's business environment. The combination of local experience and a one firm culture enables PwC to provide advice that is consistent with its standards globally and responsive to local conditions and requirements. PwC Romania has four offices – one in each of Bucharest, Timișoara, Cluj-Napoca and Constanța.



# *Introduction*

PwC Romania is the leading provider of professional services in the country. The International Assignment Services (IAS) group within PwC, a part of the global IAS network, works together with clients, their stakeholders and partners to find solutions to challenges encountered when transferring people to and from Romania.

This brochure was prepared by PwC to provide foreign individuals planning to work in Romania, and organisations intending to send individuals to Romania, with a broad understanding of the country's tax, labour and immigration laws. It aims to reflect the individual income tax law and practice currently in force in Romania.

This guide is not all-inclusive and cannot be regarded as a substitute for professional advice tailored to the individual circumstances. Although it does aim to offer guidance for answers to most questions raised by expatriates or their employers, it is recommended that detailed advice be sought before any specific decisions are made.



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# ***Step 1***

## ***Understanding basic principles***



### ***The scope of Romanian taxation:***

Under the Romanian individual tax rules, a foreign national present in Romania will, in general, be required to pay Romanian individual income tax on income sourced in Romania, such as:

- salary received from a foreign employer for work carried out in Romania (irrespective of where the income is paid);
- employment-related income paid by a Romanian resident company or individual;
- income from a source situated on Romanian territory (e.g. rental income from property situated in Romania, dividends from a Romanian company, interest, etc.).

While Romanian individuals domiciled and tax resident in Romania are liable for income tax on their worldwide income, foreign individuals who are Romanian tax residents (by either having the centre of vital interests in Romania or by being present in Romania for more than 183 days during any 12-month period ending in the tax year) become liable for Romanian income tax on their worldwide income only as of the fourth consecutive year of tax residence in Romania.

Notwithstanding the above general rules, provisions of double tax treaties, if available and more favourable, could overrule domestic legislation.

### ***The Romanian tax year***

The Romanian tax year runs from 1 January to 31 December. Where a foreign national is present in Romania for a part of the year, he/she will only be considered subject to Romanian individual income tax for that portion of the year (subject to the application of a double tax treaty). The income received for a certain period of time, if taxable in Romania, is not treated as related to a full tax year but, instead, related to the relevant month in which the income arose.

### ***Method of calculating tax***

Individual income tax is applied on taxable income at a flat rate of 16%.

Personal deductions apply only to the salary income of Romanian nationals resident in Romania. The personal deduction for salary income varies according to the gross remuneration and is granted only for salaries not exceeding RON 3,000 gross per month.

### ***Ascertaining Residence***

For foreign nationals, domestic legislation defines a taxpayer as any individual who physically spends more than 183 days in Romania over any 12-month period ending in the tax year, or who has developed a fixed base on Romanian soil. For the first three years of residence, the taxpayer will only be subject to Romanian individual income tax for income sourced in Romania. From the fourth year of residence, the taxpayer would be required to file an annual income tax return declaring worldwide income.

### ***Spouses***

A husband and wife are required to submit their monthly or annual income tax returns separately.

### ***Certain foreign nationals exempted from Romanian individual income tax***

The revenues of foreign nationals carrying out consulting services in Romania, under free financing agreements concluded by the Romanian government with other governments or international governmental or non-governmental organisations, are exempted from income tax in Romania.

## *Step 2*

# *Understanding the Romanian tax system*





## ***Employment of foreign individuals in Romania***

Foreign individuals working in Romania can conclude local employment agreements with Romanian companies, or they can work in Romania on the basis of foreign employment agreements concluded with foreign employers (i.e. as secondees).

## ***Taxation of employment income from abroad***

If an individual receives salary from abroad for work performed in Romania, they will be liable to pay Romanian income tax on the income earned as a result of the activity in Romania (unless the applicable Double Tax Treaty exempts the expatriate from such a liability).

Individuals working for a foreign employer but present in Romania under a secondment agreement may be eligible for certain income exemptions:

- One secondment allowance (to be paid monthly and not to exceed 50% of monthly gross base salary);
- Accommodation expenses paid or reimbursed by the employer (provided these are supported by invoices or receipts; i.e. not a cash allowance granted via the payroll);
- A one-off reimbursement of relocation expenses (if reimbursed based on invoices, receipts, etc.).

If an individual receives salary from abroad for work performed outside Romania, then this type of income is not taxable in Romania.



### ***Taxation of employment income from Romania***

While it is not compulsory for foreign individuals to have a local employment contract, those who do must generally pay individual income tax and social security contributions on the entire amounts. However, foreign nationals may benefit from social security payment privileges based on EC Social Security Regulations or bilateral Social Security Agreements (Appendix E) signed by Romania.

Salary tax and compulsory social security contributions are calculated, withheld and paid by the local employer (see Appendices B and C).

Benefits in kind granted by employers or third parties are generally taxable at their market value. This value is added to the monthly gross salary income received by the individual and, because it is treated as salary income, is subject to individual income tax and social security contributions.

For accommodation benefits see Appendix A.

For car benefits (private use of company car): For cars owned by the company - 1.7% of the accounting entry (historical) value of the car represents the taxable benefit (per month). For leased cars, this value is the monthly lease instalment. This taxable benefit is assessed on the basis of the percentage of private use of the car (pro rata), as recorded in a logbook that must be kept (although the obligation to keep a logbook is not mandatory).

### ***Business expenses***

Any non-reimbursed business expenses such as business travel or business entertainment expenses are not deductible from employment-related income.

### ***Employee incentive plans***

Incentive plans (stock options) are now specifically regulated by current individual income tax legislation. Under the Romanian Fiscal Code, some stock options benefits are not taxable at granting or exercising; rather, the moment of taxation arises upon disposal of the shares.

The tax treatment of other forms of stock option plans (such as RSUs) varies, depending on the terms and conditions of the specific incentive plan.

As a large number of multinational companies consider such benefits for their local and expatriate employees, and the tax rules are rather complicated and in some cases subject to interpretations, we would recommend that you discuss the tax treatment of your specific plan with your tax advisors before any type of event.

## ***Taxation of self-employment income***

Romanian legislation permits nationals and legal residents of European Union (EU) and European Economic Area (EEA) countries to register in Romania as freelancers. If self-employment income is earned for services performed in Romania, this income is taxed in Romania at the flat 16% rate. Freelancers are required to estimate their quarterly income and pay the estimated tax due each quarter (15 March, 15 June, 15 September and 15 December). An annual tax return should then be submitted each year, on or before 15 May, declaring actual income received during the previous year, to reconcile the balancing position taking into account the estimated payments. Subsequent to filing the annual tax return, the tax authorities will issue a tax decision, stating the balance to be settled. If additional tax liabilities are assessed according to the tax decision, the taxpayer needs to settle them in maximum 60 days from receipt of the tax decision.

## ***Capital Gains***

Foreign individuals are subject to capital gains tax only if they trade shares or securities on Romanian stock markets, or if they are taxable on their worldwide income (see 'the scope of Romanian taxation' under Step 1).

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### ***Capital gains are taxed at 16% as of 1 July 2010***

The taxpayer has the obligation to fill in a statement, calculate and make quarterly prepayments by the twenty-fifth of the month following the end of each quarter.

## ***Taxation of income from investments***

For foreign nationals, income from interest and dividends paid by Romanian resident companies represents Romanian taxable income from investments. The payer of the income generally withholds taxation at source. Applicable double tax treaties may reduce or eliminate the tax, depending on the tax residence of the recipient.

As of 1 July 2010 interest income from bank deposits or current accounts is taxed at 16%.

***Income from the transfer of real estate is generally taxed as follows:***

For real estate owned for **less** than three years:

- » for values up to RON 200,000, the income tax is 3%;
- » for values exceeding RON 200,000, the income tax is RON 6,000 + 2% of the amount exceeding RON 200,000

For real estate owned for **more** than three years:

- » for a value up to RON 200,000, the income tax is 2%;
- » for a value exceeding RON 200,000, the income tax is RON 4,000 + 1% of the amount exceeding RON 200,000.

***Deductible expenses***

Personal deductions granted to Romanian nationals do not apply to foreign nationals or Romanians without domicile in Romania, irrespective of their type of employment (foreign or local) or income (salary, self-employment, etc.)

***Allowances***

As mentioned above, foreign individuals working in Romania can benefit from a number of allowances, if a foreign employment agreement and proper secondment structure is in place.

Amounts received to cover expenses such as transport, accommodation and per diem allowances, including amounts received to cover the costs of relocation to Romania, may be considered as non-taxable income in Romania. Appropriate documentation (invoices, receipts, etc.) should be made available as proof of actual expenses incurred.

In addition, expatriates on secondment can benefit from a tax-free secondment allowance, provided it is paid monthly and does not exceed 50% of monthly gross base salary.

***Directors' fees***

Directors' fees are treated as employment-related income and are taxed at the applicable individual income tax rate.

***Real estate taxation***

For income from rent, the same individual income tax rate (16%) applies. However, there is a deemed expense equal to 25% of the rental income which is considered as deductible for income tax calculation purposes (no supporting documents are needed).

Income tax due for transfer of ownership is to be calculated at the value declared by the parties in the transfer documents and is withheld by the public notary. If the value declared by the parties is lower than the estimated value established by the expert appraisal conducted by the Chamber of the Notaries Public, the income tax is calculated at the reference value. The tax is to be remitted by the twenty-fifth of the month following that in which the income was withheld.

## Social security taxes

Foreign nationals seconded to Romania generally have the obligation to pay the uncapped health fund contribution of 5.5%, calculated on the income that is subject to Romanian income tax. The contribution is tax deductible for individual income tax purposes.

However, EU citizens employed by an EU company and seconded to work in Romania are exempted from paying all social security contributions in Romania (including health fund contribution) if they can make available an E101/A1 certificate from their home country's authorities proving that they continue to contribute to the home country's mandatory social security scheme. Similarly, individuals who fall within the scope of one of the bi-lateral social security agreements Romania has are exempted from paying all social security contributions in Romania if they can make available a Certificate of Coverage from their home country. Appendix E lists the social security agreements between Romania and other countries.

For individuals seconded from the EU to Romania who do not possess an E101/A1 social security coverage certificate, all employer and employee social charges are due on the salary they receive from their foreign employer. As there is currently no mechanism available to collect employee and employer social security contributions and the contribution to the unemployment fund from foreign employers, foreign nationals on secondment in practice pay only individual income tax and the health fund contribution (until further clarifications are provided by the Romanian authorities).

Individuals receiving salary income, based on employment contracts with Romanian entities, have to pay 10.5% employee pension contribution calculated on their entire remuneration, capped at five times the average official wage in Romania (the average official wage in Romania for 2011 is of RON 2,022).



An example of the social security rates payable by both the employee and employer is in Appendix C.

Employee and employer social security contributions and the minimum gross salary for the year 2010 are as follows:

### Employee contributions:

- employee social security contribution is 10.5% (capped at five times the average official wage);
- employee contribution to the unemployment fund is 0.5%;
- employee contribution to the health fund is 5.5%;

### Employer contributions:

- employer social security currently stands at 20.8% for standard working conditions, 25.8% for particular working conditions and 30.8% for special working conditions (capped at five times the average official wage);
- employer contribution to the health fund is 5.2%;
- employer contribution to the unemployment fund is 0.5%;
- employer contribution to the guarantee fund of outstanding payments is 0.25%;
- insurance against work accidents and occupational diseases is currently between 0.15% – 0.85%, depending on the class of risk;
- employer contribution to medical leave is currently at the level of 0.85% (capped at 12 times the minimum gross salary);
- labour office commission is currently 0.25% or 0.75%;

# *Step 3*

## *What to do before you arrive in Romania*





### **Scope for tax planning**

Various tax planning ideas could be considered, depending on the details of the assignment of each foreign individual. These tax minimisation ideas could refer to both restructuring of employment and remuneration packages (i.e. granting certain non-taxable allowances, maintenance of social security contributions in home country/country initiating the assignment) as well as to the timing and duration of the secondment.

Professional advice should be sought before arrival in Romania or preferably before designing the remuneration package for the assignment.

### **Applying for a visa**

Foreign individuals (depending on nationality/country of residence) may be visa restricted from entering Romania. Where this is the case, before arriving in Romania foreign nationals need to apply for and obtain the type of visa that corresponds to the purpose of their intended trip to the country (e.g. tourist, working, business, commercial activities visa, etc.). The visa can be obtained from the Romanian diplomatic missions in their home countries.

Nationals of countries considered by the Romanian authorities as being “high immigration risk countries” (see Appendix G) must obtain a visa prior to their arrival in the country, based on a special invitation procedure.

EU nationals, as well as nationals of other countries with which Romania has special visa agreements, do not need visas to enter the country (but duration of stay may be restricted).

### **Applying for a work permit**

Foreign individuals performing services in Romania may be working based on:

- only a foreign employment agreement;
- both a foreign and a local employment agreement; or
- only a local employment agreement.

As a general rule, foreign individuals working in Romania need to apply for a Romanian work authorisation (before obtaining their residence here). There are certain exceptions to this rule, as follows:

- EU individuals working in Romania as local employees are no longer required to obtain work authorisations in this respect; they have been granted free access to the local labour market;
- both EU and non-EU national seconded to Romania by companies located in EU/EEA member states are not required to obtain work authorisations. Instead, there are certain requirements in respect of secondment notification that should be undertaken with the immigration and labour authorities;
- EU individuals seconded to Romania by companies located in third party countries can perform their activities here without any immigration restrictions.

### *Work authorisations for local employment purposes*

If a local employment contract is to be concluded between a non-EU individual and a Romanian company, a work authorisation for permanent workers must be previously obtained for this purpose.

### *Work authorisations for secondment purposes*

Non-EU nationals can be seconded to Romania by companies located in third party countries (i.e. based on a foreign employment contract) for one year within a five-year period.

In order to obtain the work authorisation for secondees who require long-term visas, a working visa should be obtained from the Romanian diplomatic mission or from the Romanian consular offices in the country where the expatriate is domiciled.

There are specific requirements in respect of notifying the labour authorities about these foreign secondees.

### *Residency permits/ Registration certificates*

As of Romania's accession to the EU in January 2007, favourable provisions were implemented as concerns Romanian residence for EU/EEA nationals, whereas the provisions for non-EU nationals remained broadly the same.

EU nationals can legally stay in Romania for up to three months following their entry in Romania. In order to extend the legal stay in Romania over the allowed 90 days, an EU-national is required to obtain a certificate of registration in accordance with the purpose of the stay. When the certificate of registration is issued, the individual is also allocated a personal numerical code that is required to pay monthly taxes.

Non-EU individuals whose stay in Romania exceeds 90 days within a six-month period need to apply for a temporary residency permit, unless a relevant international agreement or special laws stipulate otherwise.

» The residency permit application can be made based on the long-term visa which should be prior obtained from the Romanian embassy or consulate abroad. Foreign nationals from the following countries are exempted from obtaining Romanian long term visas:

- » US nationals;
- » Canadians;
- » Japanese.

The documents required to support Romanian long-term visa/residency permit applications depend on the purpose of stay.

### *Driving licence*

Foreign nationals whose stay in Romania does not exceed 90 days can drive here using either their driving licences obtained abroad or international driving licences. Note that international driving licences can be used together with the national licence only.

Foreign nationals whose stay in Romania exceeds 90 days and wish to drive here have to obtain Romanian driving licences, as follows:

- Foreign nationals whose driving licences were issued in certain countries (Appendix H) can change these licences to Romanian driving licences, with no additional driving test being required.
- Other nationals will need to pass a driving test in order to obtain a Romanian driving licence after obtaining Romanian temporary residence.

**30 DAYS**  
Nr. of days the process of issuing a Romanian driving licence can take

***An application to change a foreign driving licence to a Romanian one has to be supported by the following documents:***

- » Romanian residency permit/ certificate of registration (depending on their citizenship);
- » driving licence issued in one of the countries stated in Appendix H;
- » clear police record issued either by Romanian their home country authorities.

## **Secondment and employment contracts**

## **Remuneration packages**

Before coming to work in Romania, foreign individuals should generally ensure that satisfactory arrangements have been made to cover any extra expenses incurred from their secondment to Romania.

The remuneration structure should be reviewed with a tax advisor, in order to assess the most cost-efficient scheme applicable to each individual. Certain allowances included in remuneration packages could qualify as non-taxable under Romanian individual income tax and, therefore, the opinion of a tax advisor should be sought, prior to taking up the assignment to Romania. Local employment agreements ensure that a number of local expenses may be deducted.

### **Timing of arrival**

To minimise the individual income tax burden, foreign individuals should discuss their arrival date with their tax advisors. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after their arrival in Romania.

### **Personal effects**

Before arriving in Romania, foreign nationals should be advised that the possession of certain items may be prohibited or restricted in the country. This applies to more obvious items such as firearms, explosives and drugs.

For up to 12 months after obtaining the residency permit or registration certificate, foreign nationals are allowed to import all their personal belongings, tax free, provided they make available the residency permit or registration certificate (if EU nationals) to customs officers. It is recommended, therefore, that a detailed list be prepared listing the dates when personal belongings are imported into Romania and kept until the date of departure from the country.

The import procedure for vehicles should be checked with your tax advisor.



# Step 4

## What to do when you arrive in Romania

### **Applying for a registration certificate or residency permit**

EU nationals should apply for a registration certificate from the Romanian Office for Immigration if they intend to stay in Romania for more than 90 days in a six-month period. The application process takes one – two days and the following documents are required:

- Passport;
- European Health Insurance Card;
- Secondment letter or Employment contract containing salary details, or bank statement from a Romanian bank confirming available funds in the account of at least 500 RON.

Non-EU nationals should obtain a residency permit (if they do not already hold one) if they intend to stay in Romania for more than 90 days in a six-month period. The application procedure depends on the expatriate's purpose of stay in Romania (i.e. secondment, local employment, director, family member, etc.). We suggest that you liaise with your immigration provider regarding the specific circumstances.

Once issued, these documents will contain the personal numerical code, or fiscal code, that individuals require to make income tax payments to the state budget.

### **Notifications**

A Romanian company that benefits from an expatriate's services must submit a notification letter to the tax authorities, informing them of the date of commencement or termination of an assignment. The notification must be sent within 15 days from the arrival/ departure date of the foreign individual.

### **Social Security**

Expatriates on a local employment agreement will be allocated a social security number and contributions are withheld by the employer.

As explained earlier, expatriates on secondment who remain legally employed by their foreign employer, and who do not have a home country E101 or Certificate of Coverage, are in practice currently obliged to pay only the employee Health Fund Contribution (until further guidance is provided by the Romanian authorities). Payments of income tax and Health Fund Contributions can be made once the Personal Numerical Code has been issued.

Foreigners with local employment agreements must pay social security contributions to the Romanian state. The real benefit of the Romanian state pension scheme cannot be transferred to the home country at the end of the secondment, however, unless covered by a social security agreement or if the individual is an EU resident. For this reason, foreign individuals assigned to Romania generally maintain social security and pension cover in their home country or in the country initiating the secondment to Romania.



## **Opening bank accounts**

In order to open a bank deposit account in Romania, foreign individuals generally need to provide a copy of their passport to the bank, together with a copy of their registration certificate or residency permit. Additional documents may, however, be required, depending on individual bank policies. Some such documents are bank reference letters, copies of bank statements from other banks and copies of driving licences confirming residential address in the home country.

For foreign exchange purposes, foreign nationals in Romania are advised to keep their status as non-domiciled (i.e. they should not establish a Romanian domicile and obtain a Romanian ID card). Otherwise, hard currency restrictions can arise.

## **Car registration and insurance**

Cars belonging to foreign citizens working in Romania should be temporarily registered with the local police department.

In order to qualify for temporary registration in Romania, your car should first be registered abroad, even if such registration is only temporary.

To obtain temporary registration plates, foreign nationals need to provide the police department with the identity card of the car, a notarised translation of the foreign registration certificate, the registration form from the tax authorities, the Romanian insurance policy and copies of their passport and residence permit/registration certificate (as applicable).

### **Romanian car insurance policy**

Third party liability insurance is compulsory. This insurance policy is similar to the green card and covers foreign nationals for damage caused to other cars. This policy should be bought from a local authorised insurance company. The price of the policy is published every year.



## ***Step 5***

***What to do during and at the end of the tax year***



## Tax returns

Under local employment agreements, the employment related tax compliance obligations rest entirely with the local employer, while under foreign employment agreements, these obligations rest entirely with the foreign individual.

Thus, for the first three years of residence in Romania, foreign nationals working solely under local employment agreements for work performed in Romania generally do not need to file annual tax returns with the Romanian tax authorities unless they obtain rental income from Romania, freelance income or capital gains from the transfer of listed securities in Romania.

For those working under foreign employment agreements for work performed in Romania, monthly individual income tax returns may need to be submitted. The monthly tax returns should be filed by the twenty-fifth of the month following that in which the income was earned. Late filing of monthly tax returns can entail fines of RON 500 – 1,000 per declaration.

From the fourth year of residence in Romania (see Scope of Romanian Taxation section under Step 1 – Understanding Basic Principles), foreign nationals also have an obligation to file an annual tax return declaring worldwide income. The annual tax return should be filed by 15 May.

A confirmation of individual income taxes paid during your assignment in Romania can be obtained at the end of each tax year. Your tax advisor should be contacted in order to obtain this confirmation on your behalf from the Romanian tax authorities for foreign salary income.

## Tax payments

Individual income tax should be paid every month to the Romanian tax authorities in the sector (if in Bucharest) or locality where the foreign national resides (for income obtained from foreign employers). The deadline for transmitting an individual income tax payment to the state budget is the twenty-fifth of the month following that to which the income relates.

For salary income received from a Romanian resident company, the individual income tax is withheld and paid every month by the employer.

Note that penalties for late payment of individual income tax are 0.04% per day of delay (of the total amount due).

Additionally, a penalty of 5% is due for payments made with a delay of 30 up to 90 days and of 15% for payments made with a delay of more than 90 days

## Tax exemptions

The following income of a foreign national is exempt from taxation in Romania (for at least the first three years of residence):

- Salary income received from a foreign employer in respect of duties performed outside Romania
- Dividends obtained from foreign securities and not related to duties performed in Romania
- Interest obtained from foreign resident companies and not related to duties performed in Romania
- Capital gains derived from foreign securities and not related to duties performed in Romania
- Certain allowances, as mentioned in Step 2
- Other income not related to duties performed in Romania

# ***Step 6***

## ***What to do when you leave Romania***



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### ***Important points to remember***

A fiscal representative, a Romanian resident individual or company, should be appointed in order to observe the individual's income tax obligations that might arise after the foreign individual's departure or while temporarily out of the country. The fiscal representative will be held jointly liable with the foreign individual and responsible for the payment of Romanian individual income tax obligations and filing of the required documentation.

It is advisable to discuss the date of departure with a tax advisor, as the timing can impact on your tax liability. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your departure.

Any payments or bonuses received after departure and related to Romanian employment may be subject to Romanian individual income tax under certain conditions. Planning for such payments, if any, should be undertaken with care.

If you have paid any social security contributions in Romania during your secondment here, you should discuss with your tax advisor whether you should obtain certificates as proof of your Romanian social security contributions for benefits insurance purposes, such as healthcare, unemployment and state pension. In the EU, these are known as 'E-forms' (such as E104, E205 and E301). If applicable, these certificates may help you to access state benefits in your home country upon your return, should the need arise.

### ***Reporting departure***

Following the completion of a foreign national's assignment in Romania, the local company beneficiary must inform the tax authorities of the date of his/her departure within 15 days of that date. (See also Step 4, 'Notifications').

# Appendix A

## Accommodation: tax implications

### 1. Accommodation provided by the employer

- If the house is owned by the company

For accommodation paid for as a residence that is owned by the company/employer, the taxable benefit is calculated, as of March 2008, as between 0.6 EUR and 4 EUR per square metre, depending on the accommodation type, its area and the room types.

All connected benefits (i.e. utilities – water, gas, electricity – and maintenance and repairs) are assessed at their real value.

- If the house is rented by the employer

For accommodation paid for as a residence that is rented by the employer and provided as a benefit-in-kind to the foreign individual, the value of the benefit is basically assessed as the value of the monthly rent paid.

### 2. Accommodation rented by an employee

If you rent accommodation in your own name and the employer reimburses the rent (or any part of the rent) to you, this is taxable and treated as a benefit in kind (at the value of the rent paid).

The exception to all of the above is if you are on secondment and remain legally employed by your foreign employer. In this situation, payment of actual accommodation costs by your employer can be free of tax in Romania provided this is substantiated by documentary evidence (invoices, receipts, etc.).



# Appendix B

## Individual income tax rates for 2010

Individual income taxes valid as of July 2010:

**16%**

Flat rate of income tax in Romania

Type	Individual rates
Salary	<b>16%</b>
Rental Income	
Securities income (capital gains)	
Independent professional services	
Royalties, patents, copyrights	
Dividends	
Interest	
Other income (i.e. services)	

As of February 2011, the RON exchange rates where:

\$

1 Euro

**4,2549** RON

1 USD

€

**3,1182** RON

£

1 GBP

**4,9516** RON

# Appendix C

## Social security rates for 2010

*The employee and employer social security contributions for the year 2010 are as follows:*

### **Employee contributions:**

- » employee social security contribution is 10.5% (capped at five times the average wage);
- » employee contribution to the unemployment fund is 0.5% (uncapped);
- » employee contribution to the health fund is 5.5% (uncapped);

### **Employer contributions:**

- » employer social security contribution is 20.8% (for standard working conditions, capped at five times the average wage);
- » employer contribution to the unemployment fund is 0.5% (uncapped);
- » employer contribution to the health fund is 5.2% (uncapped);
- » employer contribution to the guarantee fund of outstanding payments is 0.25% (uncapped);
- » insurance against work accidents and occupational diseases is currently between 0.15% - 0.85%, depending on the company's activity code (uncapped);
- » employer contribution to medical leave is currently 0.85% (capped at 12 times the minimum gross salary);
- » labour office commission currently stands at 0.25% or 0.75% (uncapped).

# Appendix D

## Double taxation agreements

Double taxation agreements  
to which Romania is a party  
– in-force treaties:

Albania	Finland	Lebanon	San Marino	Vietnam
Algeria	France	Lithuania	Singapore	Yugoslavia
Armenia	Georgia	Luxembourg	Slovakia	Yugoslavia (F.R.Y)
Australia	Germany	Macedonia	Slovenia	Zambia
Austria	Greece	Malaysia	South Africa	
Azerbaijan	Hungary	Malta	Spain	
Bangladesh	Iceland	Mexico	Sri Lanka	
Belarus	India	Moldova	Sweden	
Belgium	Indonesia	Morocco	Switzerland	
Bulgaria	Iran	Namibia	Syria	
Canada	Ireland	Netherlands	Thailand	
China	Israel	Nigeria	Tunisia	
Croatia	Italy	Norway	Turkey	
Cyprus	Japan	Pakistan	Turkmenistan	
Czech Republic	Jordan	Philippines	Ukraine	
Denmark	Kazakhstan	Poland	United Arab Emirates	
Ecuador	Korea	Portugal	United Kingdom	
Egypt	Kuwait	Qatar	United States	
Estonia	Latvia	Russia	Uzbekistan	

Double taxation agreements  
to which Romania is a party -  
pending treaty: Tadjikistan

‘Pending’ means agreements  
have been signed by both parties,  
but have yet to enter into force.

# **Appendix E**

## **Social security agreements between Romania and other countries**

***As of 1 January 2007, the date of Romania's accession to the EU, Romania applies the EC social security regulations (EC Regulations 1408/71 and 574/72). EU nationals, and non-EU nationals legally resident in an EU member state, who are seconded to or from Romania and another EU member state fall within scope of this regulation.***

***In addition, Romania has bi-lateral social security agreements with the following countries:***

- » Albania
- » Algeria
- » Armenia
- » Libya
- » Macedonia
- » Moldova
- » Morocco
- » North Korea
- » Peru
- » Russian Federation
- » Turkey



# Appendix F

## Typical tax computation

Local employment agreements  
and Foreign employment  
agreements – Individual  
Income Computation 2010

All the calculations below are correct for the year 2010, assuming that the company does not have more than 50 employees and the employee labour books are updated and stored by the company itself.

	Romanian (domiciled) Single or Married + 2	Expat Local Employment Agreement and Payroll Single or Married + 2	Expat (non-EU) Foreign Employment Agreement and Payroll Single or Married + 2
<b>Local Tax Calculation</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>
Gross Compensation	36,000	36,000	36,000
Gross Annual Taxable Income			
Gross Monthly Taxable Income	3,000	3,000	3,000
Less			
<b>Employee's Social Security</b>			
Monthly Social Security Contribution/ Pension (10.5%)	315	315	-
Monthly Unemployment Contribution (0.5%)	15	15	-
Monthly Health Fund Contribution (5.5%)	165	165	165
<b>Total Monthly Employee's Social Security</b>	<b>495</b>	<b>495</b>	<b>195</b>
Personal Deduction			
Monthly Net Taxable Income	<b>2,505</b>	<b>2,505</b>	<b>2,805</b>
Monthly Tax thereon (16%)	<b>401</b>	<b>401</b>	<b>449</b>
Annual Income Tax	<b>4,812</b>	<b>4,812</b>	<b>5,388</b>
Total Annual Employee's Social Security	<b>5,940</b>	<b>5,940</b>	<b>2,340</b>
Net Monthly Income	2,104	2,104	2,356
Net Annual Income	25,248	25,248	28,272
<b>Employer's Social Security</b>			
Monthly Social Security Contribution (20.8%)	624	624	-
Monthly Health Fund Contribution (5.2%)	156	156	-
Monthly Medical Leave Contribution (0.85%)	26	26	
Monthly Unemployment Contribution (0.5%)	15	15	-
Monthly Solidarity Fund Contribution (to be paid by companies with at least 50 employees)	-	-	-
Monthly contribution to the Labour Accidents Fund (assumed 0.15%)	5	5	-
Monthly Territorial Inspectorate of Labour Commission (0.25%)	8	8	-
Total Monthly Employers Social Security	834	834	-
<b>Total Annual Employers Social Security</b>	<b>10,008</b>	<b>10,008</b>	<b>-</b>

# Appendix G

## Visa requirements

Nationals of the following countries (considered as “high immigration risk countries”) are required to present an original official invitation issued through the authority for Foreigners as well as a bank deposit guarantee in order to obtain a visa:

Islamic State Of Afghanistan	Comoros	Haiti	Rep. Of Mali	Rep. Of Sudan
Rep. Of Albania	Rep. Of Congo	India	Mongolia	Suriname
Rep. Of Armenia	Democratic Rep. Of Congo	Islamic Rep. Of Iran	Rep. Of Mozambique	Syrian Arab Rep.
Democratic People’s Rep. Of Algeria	Cote D’ivoire	Rep. Of Iraq	Union Of Myanmar	Tajikistan
Rep. Of Azerbaijan	Djibouti	Hashemite Kingdom Of Jordan	Kingdom Of Nepal	United Rep. Of Tanzania
Reap. Of Angola	Dominican Rep.	Rep. Of Kazakhstan	Rep. Of Niger	Kingdom Of Thailand
People’s Rep. Bangladesh	Arab Rep. Of Egypt	Rep. Of Kenya	Federal Rep. Of Nigeria	Togo
Rep. Of Belarus	Eritrea	Kyrgyzstan	Islamic Rep. Of Pakistan	Rep. Of Tunisia
Rep. Of Benin	Federal Democratic Rep. Of Ethiopia	Democratic People’s Rep. Of Korea	State Of Palestine	Turkmenistan
Kingdom Of Bhutan	Equatorial Guinea	Lao’s People Democratic Rep.	Papua New Guinea	Rep. Of Uganda
Burkina Faso	Fiji	Rep. Of Lebanon	Rep. Of Peru	Uzbekistan
Rep. Of Burundi	Gabon	Liberia	Rep. Of Philippines	Socialist Rep. Of Vietnam
Rep. Of Cameroon	Rep. Of Gambia	Great Socialist People’s Libyan Arab Jamahiriya	Rwanda	Rep. Of Yemen
Cambodia	Georgia	Democratic Rep. Of Madagascar	Sao Tome And Principe	Rep. Of Zambia
Rep. Of Cape Verde	Rep. Of Ghana	Kingdom Of Morocco	Senegal	
Central African Rep.	Guinea Bissau	Maldives	Sierra Leone	
People’s Rep. Of China	Guinea Rep.	Mauritania	Somalia	
Chad	Co-Operative Rep. Of Guyana	Mauritius	Democratic Socialist Rep. Of Sri Lanka	

# Appendix H

## Driving licences

A Romanian driving licence will be issued to drivers who have accredited licences in the following countries:

### Member states of the Wien Convention

- Republic of South Africa
- Republic of Albania
- Republic of Armenia
- Republic of Austria
- Republic of Azerbaijan
- Bahamas Union
- State of Bahrain
- Republic of Belarus
- Kingdom of Belgium
- Republic of Bosnia and Herzegovina
- Federative Republic of Brazil
- Republic of Bulgaria
- Republic Cote d'Ivoire
- Republic of Croatia
- Republic of Cuba
- Kingdom of Denmark
- Republic of Estonia
- Republic of Macedonia
- Russian Federation
- Republic of Finland
- French Republic
- Georgia
- Federal Republic of Germany
- Hellenic Republic
- Cooperative Republic of Guyana
- Hungarian Republic
- Islamic Republic of Iran
- State of Israel
- Italian Republic
- Republic of Kazakhstan
- State of Kuwait
- Republic of Letonia
- Republic of Liberia
- Republic of Lithuania
- Grand Ducal of Luxembourg
- Kingdom of Morocco
- State of Mongolia
- Federal Republic of Nigeria
- Kingdom of Norway
- Republic of Uzbekistan
- Islamic Republic of Pakistan
- Republic of Philippines
- Polish Republic
- Central African Republic
- Republic of Moldova
- Republic of Congo
- Czech Republic
- Republic of San Marino
- Republic of Senegal
- Serbia
- Republic of Seychelles
- Slovak Republic
- Republic of Slovenia
- Kingdom of Sweden
- Swiss Confederation
- Republic of Tajikistan
- Tunisian Republic
- Republic of Turkmenistan
- Ukraine
- Oriental Republic of Uruguay
- Republic of Zimbabwe

### States that are not members of the Wien Convention

- Canada
- Republic of Cyprus
- Republic of Korea
- Arab Republic of Egypt
- Hashemite Kingdom of Jordan
- Republic of Ireland
- Republic of Iceland
- Japan
- Lebanese Republic
- Republic of Malta
- United Kingdom of Great Britain
- The Netherlands
- Portuguese Republic
- Montenegro
- Syrian Arab Republic
- Kingdom of Spain
- United States of America
- Republic of Turkey
- People's Republic of China

Expatriates changing their driving licences in Romania should prove that:

- They hold an appropriate driving licence issued in their home country (one of the countries stated above);
- They hold a clear police record issued in their home country;
- They hold a valid medical certificate issued by a Romanian doctor stating that they are healthy and fit to drive.







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